

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/2017

BAC4634 – CORPORATE ACCOUNTING II
(All sections / Groups)

17 OCTOBER 2016
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 5 pages with 4 questions only.
2. Attempt ALL FIVE questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answer in the Answer Booklet provided.

QUESTION 1**PART A**

Success Berhad engages in the trading business. The statement of financial position and tax bases at 31 December 2015 are as follows:

	Carrying amount RM'000	Tax base RM'000
Building	30,000	25,000
Machinery	134,000	82,000
Motor vehicle	208,000	160,000
Inventory	26,000	26,000
Trade receivables	10,800	11,400
Bank	24,000	24,000
Trade payable	18,000	18,000
Loan	20,000	21,000
Provision for deferred tax liability 1 Jan 2015	8,200	8,200
Revaluation reserve- building	10,000	-
Revaluation reserve- motor vehicle	60,000	-
Share capital	140,000	140,000
Retained profit	208,600	-

Additional information:

- Success Berhad revalued building and some of the motor vehicles on 31 December 2015. Fair value of the building was RM10 million more than its carrying amount and the motor vehicle was RM60 million more than the carrying amount.
- On 31 December 2015, Success Berhad provides for general provision for doubtful debts of 10%. Tax rule recognizes specific provisions for bad debts only.
- Tax rate changed from 30% to 25%.

Required:

In accordance to MFRS 112: *Income taxes*:

- Construct a table showing the temporary differences for each of the items above. (4 marks)
- Calculate the amount of tax expense as charged in the statement of profit or loss and the balance in the deferred tax liability in the statement of financial position as at 31 December 2015. (3 marks)
- Illustrate the journal entries to record the deferred tax for year 2015. (3 marks)

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PART B

Positive Ltd is a wholly owned subsidiary of Brave Berhad in High Land. The local currency is W\$. The summarised financial statements of the two companies are as follows:

Statement of Profit or Loss for the Year Ended 31 December 2015

	Brave Berhad RM'000	Positive Ltd W\$000
Profit before tax	400	320
Taxation	(200)	(160)
	<u>200</u>	<u>160</u>

Statement of Financial Position as at 31 December 2015

	Brave Berhad RM'000	Positive Ltd W\$000
Non-current assets	1,200	2,800
Accumulated depreciation	(500)	(400)
	<u>700</u>	<u>2,400</u>
Investment in Positive Ltd	750	-
Current assets		
Inventory	450	400
Bank	300	200
Trade payables	(200)	(220)
Loans	(100)	(220)
	<u>1,900</u>	<u>2,560</u>
Ordinary shares	600	2,000
Retained profit	1,300	560
	<u>1,900</u>	<u>2,560</u>

Additional information:

The following exchange rates are relevant:

Date of incorporation of Positive Ltd	W\$4:RM1
1 January 2015	W\$2:RM1
31 December 2015	W\$1:RM1
Average rate for year 2015	W\$1.6:RM1

Required:

In accordance to the MFRS121: *The Effects of Changes in Foreign Exchange Rates*, construct the consolidated financial position as at 31 December 2015 using the net investment method. Calculate the reconciliation of exchange difference.

(15 marks)

(Total: 25 marks)

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QUESTION 2**PART A**

May Berhad is a wholly owned subsidiary of March Berhad, that is treated as a cash generating unit. On 31 December 2015, a flood caused some damage to some of the equipments of May Berhad. An extract of financial statement of May Berhad immediately before the flood were:

	RM'000
Goodwill	2,600
Trademark	3,400
Building	7,000
Equipment	7,000
Receivables and cash	4,000

Due to the flood, the value in use of May Berhad became RM14 million.

The flood has caused full damage to an item of equipment with a carrying amount of RM1 million.

May Berhad has received an offer of RM2 million for its trademark from June Berhad.

The receivables and cash are already stated at their fair values less costs to sell (net realisable values).

Required:

In accordance to MFRS136: *Impairment of Assets*:

- Analyze each of the above assets and calculate the carrying amounts as at 31 December 2015 after applying any impairment losses.
(12 marks)
- Explain how the reversal of an impairment loss for a cash-generating unit should be recognized.
(4 marks)

PART B

Explain the recognition and measurement of depreciation, impairment loss and tax expense in preparing interim financial reporting, with respect to MFRS 134: *Interim Financial Reporting*.

(9 marks)

(Total: 25 marks)

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QUESTION 3**PART A**

ABC Bhd is a company involved in manufacturing furniture. The company has its own retirement benefit plan and the retirement benefits at 1 July 2014 consisted of:

	RM
Present value of obligation	2,900,000
Fair value of plan assets	2,600,000

The present value of obligation and fair value of plan assets as at 30 June 2015 are estimated by the professional actuaries to be RM3,500,000 and RM3,400,000 respectively.

The following are other information relevant to the scheme for the year ended 30 June 2015:

	RM
Current service cost	450,000
Benefit paid	240,000
Contribution paid	730,000

The discount rate of 10% that reflected the yield of corporate bonds is used by the company.

Required:

In accordance to MFRS 119: *Employee benefits*:

- Construct a table showing the calculation of net actuarial gain or loss for the year 2015, using the projected unit credit method.
(8 marks)
- Illustrate how the change in the pension benefits should be disclosed in the financial statements of ABC Bhd for the year ended 30 June 2015.
(5 marks)

PART B

High Berhad granted 1,000 share appreciation rights (SARs) to its 300 employees on 1 January 2014. To be entitled, employees must stay employed for 3 years from the date of issue and the rights must be exercised in January 2017, with settlement due in cash.

- In the year to 31 December 2014, 32 staff left and a further 35 were expected to leave over the following two years.
- In the year to 31 December 2015, 28 staff left and a further 10 were expected to leave in the following year.
- No actual figures are available as yet for 2016.

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The fair value of each SAR was RM8 at 31 December 2014 and RM12 at 31 December 2015.

Required:

In accordance with MFRS 2: *Share-based Payments*;

- Explain the differences between equity-settled and cash-settled share-based payment.
(4 marks)
- Prepare the accounting entry to record the expense associated with the SARs, for the year 2014 and year 2015.
(8 marks)

(Total: 25 marks)

QUESTION 4

PART A

On 1 July 2014, Big Bhd issued RM10 million convertible loan stock at its nominal value of RM1,000 each. The loan stock has a fixed interest rate of 6% per annum and will mature at the end of June 2018. Each unit of the loan stock is convertible into 200 ordinary shares per RM1 at any time up to maturity. Any loan stocks not converted by the maturity date will be redeemed for cash at its nominal value. At the date of issue of the loan stock, the prevailing interest rate of similar class of loan stock without the conversion option was 10%. Big Bhd's financial year ends on 30 June.

Present value factors	Period	6%	10%
	1	0.9434	0.9091
	2	0.8900	0.8264
	3	0.8396	0.7513
	4	0.7921	0.6830
	5	0.7473	0.6209

Required:

In compliance with MFRS 132: *Financial Instruments: Presentation*, explain and show how the convertible loan stocks are to be presented in the statement of financial position of Big Bhd as at 30 June 2015. Show all calculations.

(17 marks)

PART B

According to MFRS 8 *Operating Segments*, multiple operating segments may be aggregated into a single reportable segment if the segments have similar economic characteristics.

Required:

Briefly explain how to determine that the segments have similar economic characteristics.

(8 marks)

(Total: 25 marks)

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